



Agenda Date: 3/22/07
Agenda Item: IVA

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

IN THE MATTER OF THE VERIFIED)	<u>TELECOMMUNICATIONS</u>
PETITION OF LEVEL 3 COMMUNICATIONS,)	
LLC FOR APPROVAL TO PARTICIPATE IN		ORDER
CERTAIN FINANCING ARRANGEMENTS)	DOCKET NO. TF06100749

(SERVICE LIST ATTACHED)

BY THE BOARD:

On October 25, 2006, Level 3 Communication, LLC ("Level 3 LLC" or "Petitioner") submitted a Verified Petition to the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-9 requesting approval to participate in certain financing arrangements whereby Level 3 Financing, Inc. ("Level 3 Financing") intends to issue a series of notes to qualified institutional buyers in an offering that is exempt from registration under U.S. Federal securities laws.

Petitioner requests Board approval to participate in a series of financing arrangements whereby Level 3 LLC will incur indebtedness and provide a guarantee for a total aggregate amount of up to approximately \$1.5 billion in new notes issued by Level 3 Financing to the qualified institutional buyers. The notes will be issued with a 9.25% fixed interest rate due in 2014. Level 3 Financing will raise these funds in a series of transactions with substantially similar terms and conditions. Level 3 Financing, as the issuer of the notes, will lend the net proceeds it receives from the offering of the notes to Level 3 LLC in return for short-term intercompany demand notes issued by Level 3 LLC. Level 3 LLC will issue a guarantee to Level 3 Financing, Inc.

Level 3 will provide notice to the Board upon completion and closing of each transaction. The first and second series notes have already been issued by Level 3 Financing in the amounts of \$600 million and \$650 million, however Level 3 LLC has not taken any steps in providing security for the first or second series offering and is awaiting Board approval requested in this proceeding. The funds will be used for general business purposes, potential acquisition activities and by Level 3 Financing, to buy back \$500 million of older 10.75% Notes.

Level 3 LLC is a Delaware limited liability company and is wholly owned subsidiary of Level 3 Financing, Inc., which in turn is a wholly owned subsidiary of Level 3 Communications, Inc. All three companies have principal offices located in Broomfield, Colorado. Level 3 LLC provides high-quality voice and data services to carriers, ISPs, and other business customers over its IP-based network. Level 3 LLC is a non-dominant carrier that is authorized to provide resold and/or facilities-based telecommunications services nationwide pursuant to certification,

registration or tariff requirements, or on a deregulated basis. Level 3 LLC is also authorized by the Federal Communications Commission to provide international and domestic interstate services as a non-dominant carrier.

In New Jersey, Level 3 LLC is authorized to provide resold and facilities-based local exchange and interexchange telecommunications services throughout New Jersey pursuant to the Board's Order of Approval, issued on October 20, 1998, in Docket No. TE97120913. Level 3 currently has 47 employees in New Jersey and 144 customers in New Jersey, comprised largely of wholesale providers.

Petitioner emphasizes that participation in the financing arrangements as a guarantor will not result in a change in Level 3 LLC's management or in their day-to-day operations in New Jersey; nor will it adversely affect Petitioner's current or proposed operations in New Jersey. Petitioner states that this financing transaction will be transparent to consumers and consumers will benefit for the continued receipt of quality telecommunications services that are priced competitively.

The Division of Rate Counsel has reviewed this matter and, by letter dated November 27, 2006, recommends the Board approve this petition.

After review, the Board FINDS that the proposed transaction is consistent with the applicable law. The Board HEREBY AUTHORIZES Petitioner to participate in the financing arrangements described herein.


This Order is issued subject to the following provisions:

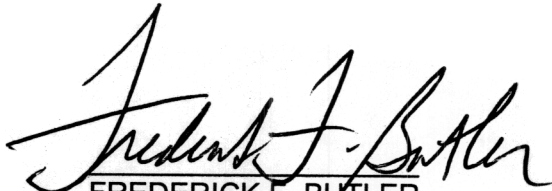
1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting Petitioner.
2. Petitioner shall notify the Board, within five business days, of any material changes in the notes and shall provide complete details of such transactions including any anticipated effects upon service in New Jersey.
3. Petitioner shall notify the Board of any material default on the terms of the notes within five business days of such occurrence.
4. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions or other supporting documents, a default or assignment under such agreement does not constitute an automatic transfer of Petitioner's assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.

5. This order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets now owned or hereafter to be owned by Petitioner.

DATED: 3/22/07

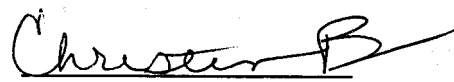
BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT

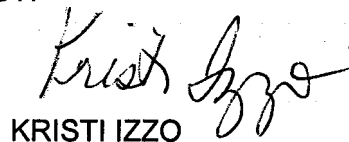

FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

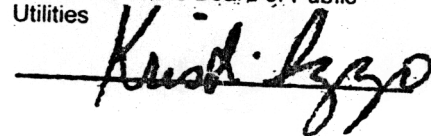

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



SERVICE LIST

In the Matter of the Verified Petition of Level 3 Communications, LLC for Approval to Participate in Certain Financing Arrangements

Docket No. TF06100749

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